



City Council Report

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File ID: 2019-00680

May 28, 2019

Consent Item 06

Title: Reduction of Existing Development Impact Fees for New Affordable Dwelling Units to a Zero-dollar Rate

Location: Citywide

Recommendation: Adopt a Resolution: 1) rescinding Resolution 2018-0428; and 2) adopting reduction of certain development impact fee residential rates for new affordable dwelling units to a zero-dollar rate.

Contact: Greg Sandlund, Principal Planner, (916) 808-8931, Community Development Department

Presenter: None

Attachments:

1-Description/Analysis

2-Resolution

Description/Analysis

Issue Detail: On October 30, 2018, the City Council adopted a resolution that would reduce certain development impact fee residential rates to a zero-dollar rate for qualified affordable units. The resolution required that any applicant requesting a reduction in city impact fees must have a recorded regulatory agreement between the City, the Sacramento Housing and Redevelopment Agency, or another local, state or federal agency.

Since the adoption of the resolution, staff has learned that certain developments that meet the intent of the resolution do not ensure affordability through regulatory agreements. For example, self-help housing organizations, such as Habitat for Humanity, utilize private agreements between the organization and homeowner that require the home to remain affordable for a period of at least 30 years. Another example is a facility that provides hospice care for homeless individuals for free. While there are not rent restrictions per se, there can be no argument that this housing is affordable to lower income residents of the City.

Staff recommends rescinding Resolution 2018-0428 and replacing it with another almost identical resolution that would allow the Planning Director the discretion to reduce certain development impact fee residential rates to a zero-dollar rate for qualified affordable units. The level of affordability, the 30-year minimum period of affordability, and specific fees that could be reduced as specified in the original resolution, have not been altered.

Policy Considerations: The proposed reduction in development impact fees is consistent with the City's goals and policies as established in the 2035 General Plan. These policies include:

Housing-2.2.5 Review and Reduce Fees for Affordable Housing. The City shall work with affordable housing developers as well as other agencies and districts to review and reduce applicable processing and development impact fees for very low and low-income housing units.

Economic Considerations: Reducing development impact fees for affordable dwelling units is expected to reduce barriers for the construction of qualified new affordable housing.

Environmental Considerations: The proposed resolution is exempt from the provisions of the California Environmental Quality Act (CEQA), consistent with section 15378(b)(4) of the CEQA Guidelines, which provides that the creation of government funding mechanisms or other government fiscal activities that do not involve commitment to any specific project are not subject to environmental review.

Sustainability: Affordable dwelling units may help to reduce long commutes and dependence on the use of the private automobile, reduce the use of fossil fuels and greenhouse gas emissions, and help meet air quality standards.

Commission/Committee Action: Not applicable

Rationale for Recommendation: The reduction of certain development impact fees imposed by the City would reduce costs for affordable dwelling unit construction. The City will evaluate the fee reduction after three years to determine if the zero-dollar rate is effectively incentivizing affordable housing development. The City would like additional flexibility to permit reduced impact fees for affordable housing development that can document how development will remain affordable for a period of at least 30 years.

Financial Considerations: Additional City funds may be needed to backfill fee losses due to the reduction of development impact fees for affordable housing units to a zero-dollar rate. It is estimated that an average of 100 affordable dwelling units will be constructed per year over the next decade. It is assumed, therefore, that reduction in fees collected will be less than significant. The City will monitor the production of affordable dwelling units which qualify for zero-rate fees and evaluate potential impacts to affected finance plans annually.

Local Business Enterprise (LBE): No goods or services are being purchased in association with this report.

RESOLUTION NO. 2019-

Adopted by the Sacramento City Council

XXX XX, XXX

Rescinding Resolution 2018-0428 and Adopting Reduction of Existing Development Impact Fee Residential Rates for New Affordable Dwelling Units to A Zero-Dollar Rate

BACKGROUND

- A. On October 30, 2018 the City Council adopted Resolution 2018-0428 to modify the City’s development impact fee programs to reduce impact fee rates for affordable dwelling units to a zero-dollar rate.
- B. Development impact fees, as set forth in Exhibit A, are monetary exactions established and imposed according to various sections of Sacramento City Code and collected as fees at rates established by resolution, to finance the design, construction, installation, and acquisition of public infrastructure or to recover the costs of adding capacity in existing public infrastructure.
- C. Funding for affordable housing has been fallen dramatically since the official dissolution of the state’s 400 plus redevelopment agencies in 2012.
- D. Affordable housing production has dropped precipitously due to increased construction costs and an overall decline in Federal and State funding.
- E. The payment of development impact fees constitutes a barrier for the construction of affordable housing units.
- F. Since the creation of the program, it has been found that dwellings and facilities that create affordable housing opportunities for individuals and households do not always have regulatory agreements with a local or state/federal agency.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. Findings.

- A. The Background statements set forth above are true and correct and are

incorporated herein by reference as findings.

- B. The City has determined that reducing certain residential rates for development impact fees established by previous resolutions to a zero-dollar rate for affordable housing dwelling units, as set forth in Exhibit A, would not significantly alter the City's ability to finance the design, construction, installation, and acquisition of public infrastructure or significantly impact existing finance plans.
- C. The reduction of existing residential rates for development impact fees to zero-dollar rate for affordable dwelling units is consistent with the City's general plan and housing element, and the City Council has considered the effects of the reduction of the fees with respect to the City's and region's housing needs.

Section 2. Reduction of Existing Development Impact Fees for Affordable Dwelling Units to a Zero-Dollar Rate

The City Council hereby approves and adopts the reduction of residential rates for affordable dwelling units to a zero-dollar rate for the impact fees identified in Exhibit A, subject to the following:

- A. Any shortfall that results from this fee reduction shall not be made up from revenue from fees paid by others within any of the relevant fee programs.
- B. For the purposes of this resolution, an "affordable dwelling unit" means a dwelling unit or facility (1) to be occupied by low or moderate income households as defined in section 50093 of the California Health and Safety Code, and (2) offered at an affordable rent as defined in section 50053 of the California Health and Safety Code for a period of at least 30 years. The "affordable dwelling unit" shall be either: Subject to restriction for a period of at least 30 years under a recorded regulatory agreement between the property owner and the City, the Sacramento Housing and Redevelopment Agency, or another local, state or federal agency; or for projects that do not otherwise require a regulatory agreement, the applicant must demonstrate to the satisfaction of the Planning Director in the Director's sole discretion that the principles of (1) and (2) of this section B are met.
- C. For the purposes of this resolution, an "affordable dwelling unit" for a for-sale unit means (1) a unit sold at an affordable housing price as defined in section 17.712.020 of Sacramento City Code, and (2) to be occupied by low income households as defined in section 50079.5 of the California Health and Safety Code for a period of at least 30 years. The "affordable dwelling unit" shall be either: Subject to restriction under a recorded regulatory agreement for a period of at least 30 years between the original property owner and the City, the Sacramento Housing and Redevelopment Agency, or another local, state or federal agency; or

for projects that do not otherwise require a regulatory agreement, the applicant must demonstrate to the satisfaction of the Planning Director in the Director's sole discretion that the principles of (1) and (2) of this section C are met.

- D. For purposes of this resolution, "residential rates" refers to any of the rates that were adopted by the resolutions identified in Exhibit A and labelled residential rates or rates that were not labelled as residential rates but which are applicable to residential projects or units.

Section 3. Exhibit A is part of this resolution.

Section 4. Resolution No. 2018-0428 is hereby rescinded.

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Exhibit A-Reduction of Existing Residential Rates for Development Impact Fees to Zero-Dollar Rate for Affordable Dwelling Units

EXHIBIT A

**Reduction of Existing Residential Rates for Development Impact Fees
to Zero-Dollar Rate for Affordable Dwelling Units**

Code Section	Fee Name	Dept.	Fee Rate for Affordable Dwelling Units*	Fee for All Other Projects
Ch. 13.04.820	Water system development fee	DOU	\$0.00	Per Resolution 2007-0365
Ch. 13.08.480	Sewer development fee	DOU	\$0.00	Per Resolution 2008-0394
Ch. 13.08.490	Combined sewer development fee	DOU	\$0.00	Per Resolution 2005-0162
Ch. 18.24	North Natomas Planning Area Development Fees	PIF	\$0.00	Per Resolution 2018-0058
Ch. 18.56, Article II	Park Development Impact Fee	Parks	\$0.00	Per Resolution 2017-0070
Ch. 18.56, Article V	65 th Street Area Impact Fee	PIF	\$0.00	Per Resolution 2017-0073
Ch. 18.56, Article VII	Jacinto Creek Planning Area Impact Fee	PIF	\$0.00	Per Resolution 2017-0400
Ch. 18.32	Willowcreek Impact Fee	PIF	\$0.00	Per Resolution 1997-576
Ch. 18.56, Article VI	River District Fee	PIF	\$0.00	Per Resolution 2017-0075
Ch. 18.56 Article VIII	Central City Impact Fee	PIF	\$0.00	Per Resolution 2018-0134
Ch 18.56 Article IX	Railyards Impact Fee	PIF	\$0.00	Per Resolution 2018-0383

* Zero-dollar rate fees shall apply only to deed-restricted affordable dwelling units that are subject to regulatory agreements as described in Section 2 (c) of this resolution (or otherwise demonstrated to the satisfaction of the Planning Director). Zero-rate fees shall be applied proportionately according to the number of proportion of affordable dwelling units in the project.